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CENTRAL INTELLIGENCE AGENCY
SOURCE METHOD EXEMPTION 3B2B
NAZI WAR CRIMES DISCLOSURE ACT
DATE 2007

MEMORANDUM FOR: []
Chief, Political and Psychological Staff

VIA: Chief, PPS/SEO
PPS/PMO

FROM: []
Chief, PPS/SEO/SIB

SUBJECT: Recommended Changes to Proprietary QRPLUMB

1. We have been advised by the Deputy Inspector General for Audit that the audit for PPS Proprietary QRPLUMB cannot be concluded satisfactorily. The proprietary managers could not provide necessary receipts for audit purposes and there were major questions regarding the disposition of funds within the proprietary. The Audit Staff is preparing a number of recommendations and will re-audit as soon as PPS advises that necessary changes have taken place.

2. After review with the auditors, the case officer, PPS/PMO and the witting proprietary managers, I recommend the following course of action. Once these changes are implemented and the QRPLUMB accounting brought up to date, we will request a new audit. I am setting an objective of 1 November for the new audit.

A. BOOKKEEPER -- QRPLUMB needs a full-time bookkeeper. We have pressed QRPLUMB/57 (P/57) to take immediate action and not to restrict his search to Ukrainians. We also will check for someone who could be made witting.

B. UPDATE ACCOUNTING -- All accounting back to the last audit (circa mid-1987) must be up-dated. If a full-time bookkeeper is not quickly hired, we will use an accounting temporary from one of the commercial firms. In many cases, we may require P/57 to certify expenses for which there is no receipt. P/57 claims that all receipts are available, although not organized; however, this seems unlikely given the cash that has been given to visiting Soviets for purchase of equipment.

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C. COMMERCIAL ACCOUNTANT -- The accounting firm of [] has been retained by PPS/PMO to set up a standard accounting system for QRPLUMB. [] is witting. The firm will report progress to PPS/PMO every two weeks to monitor that the required accounting procedures are being introduced. The QRPLUMB budget for FY 90 should allow at least \$10,000 for [] services.

D. QRPLUMB LONDON BRANCH -- The London Branch of QRPLUMB should be designated a non-controlled subsidy and separately budgeted. We have no operational contact with the London Branch. The recent attempt to audit the Branch identified some irregularities and almost total lack of fiscal accountability. In essence the staff is not capable of maintaining much more than a checkbook. The Branch is a licensed distributor of Suchasnist, the Munich umbrella corporation. London reports its operations to Newark and accepts direction from P/57, although there is no formal commercial relationship. If the London Branch is converted to a non-controlled subsidy, it will continue to report operations and submit accounting summaries to Newark as the best means to direct and control London operations. Under present circumstances, we cannot expect to obtain accurate accounting and audit trails in London. Funds to the non-controlled subsidy would be sent directly from Monetary at PPS direction with either Suchasnist or Prolog as the remitter. As matters now stand, the London Branch would have to hire more staff and an accountant to begin to bring fiscal order. Even then, without Station contact and control, our ability to monitor London's accounting would be limited and certainly not satisfactorily for audit purposes.

E. OPERATIONAL EXPENSES -- One of our major problems in the current arrangement with QRPLUMB is that all of their operations are funded by Newark out of proprietary funds. For audit purposes, this means that there will be cash outlays for which there is only a receipt in alias (at best) and equipment purchases without the equipment remaining on the premises. Under normal commercial business, equipment purchased by a company will remain on site and become part of the equity. To correct this problem, the proprietary will receive only necessary funds to meet the payroll, rent and administrative expenses consistent with QRPLUMB's cover. This will help avoid any tax questions. QRPLUMB will be required to submit detailed accountings for special projects and operations not directly connected with the cover legend for Prolog, such as infiltrating equipment to Ukrainian groups supporting development of democracy and pluralism. This will increase our control over QRPLUMB activities.

F. INCREASE MUNICH OPERATIONS -- QRPLUMB/103 (P/103) will move to Munich in summer 1990 to expand Munich operations and thus lessen the connection to the U.S. P/103 should begin to establish a normal commercial relationship between Munich and its Newark subsidiary. For operational expenses of QRPLUMB, we will consider establishing a separate bank account for P/103 with full accounting to the case officer on a monthly basis.

3. With concurrence of C/SEO and PPS/PMO, and your approval, we will implement these changes immediately. The QRPLUMB OpAct will have to be amended, particularly to change the budget figures. The Admin Plan has not yet been submitted for your approval and will be drafted to accommodate these changes to the proprietary. We have received a draft version of the audit report and may yet have to make other changes.

[]

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CONCUR:

C/PPS/SEO

Date

PPS/PMO

Date

APPROVED:

CHIEF/PPS

Date

SECRET

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DO/PPS/SIB G-72422

(31 July 1989)

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